

COFFEY COUNTY HOUSING AUTHORITY

Burlington, Kansas

Financial Statements  
and  
Supplemental Information

with Report of Independent Auditor  
For the Year Ended December 31, 2010

Coffey County Housing Authority  
Special Financial Statements  
For the Year Ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Coffey County Housing Authority  
Burlington, Kansas

We have audited the accompanying financial statements of Coffey County Housing Authority, Burlington, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of Coffey County Housing Authority, Burlington, Kansas, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Coffey County Housing Authority, Burlington, Kansas, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the Housing Authority's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Coffey County Housing Authority, Burlington, Kansas as of December 31, 2010, or changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Coffey County Housing Authority, Burlington, Kansas, as of December 31, 2010, and the revenues it received and expenditures it paid for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coffey County Housing Authority, Burlington, Kansas statutory basis financial statements. The information identified in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the statutory basis financial statements. This supplemental information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statements, and, in our opinion, is fairly stated, in

all material respects in relation to the statutory basis financial statements taken as a whole, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the governing body and management of Coffey County Housing Authority, Burlington, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

*Schlatterbeck and Burns, L.L.C.*

December 19, 2011

Coffey County Housing Authority  
Burlington, Kansas  
Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Year Ended December 31, 2010

Statement 1

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Plus: Accounts Payable and Encumbrances	Ending Cash Balance
General Fund	\$ 112,901	246,804	260,191	99,514	3,364	102,878
Special Revenue Funds:						
Grants Fund	1,283	101,900	95,905	7,278	6,159	13,437
Building Fund	181,105	228,829	149,185	260,749	37,202	297,951
Total	<u>295,289</u>	<u>577,533</u>	<u>505,281</u>	<u>367,541</u>	<u>46,725</u>	<u>414,266</u>

Composition of Ending Cash Balance:

Demand Deposits	\$ 57,566
Money Market Accounts	<u>356,700</u>
Total Composition of Cash	<u>414,266</u>

See accompanying notes to financial statements

Coffey County Housing Authority  
 Burlington, Kansas  
 Statement of Expenditures - Actual and Budget  
For the Year Ended December 31, 2010

Statement 2

Fund	Adopted Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General Fund	\$ 292,123	260,191	31,932
Total	<u>292,123</u>	<u>260,191</u>	<u>31,932</u>

See accompanying notes to financial statements

Coffey County Housing Authority  
Burlington, Ks  
Statement of Cash Receipts and Expenditures- Actual and Budget  
For the Year Ended December 31, 2010

Statement 3  
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	<u>Prior Year Actual</u>	<u>Current Year Actual</u>	<u>Current Year Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>General Fund</u>				
Cash Receipts:				
Appropriation from Coffey County	\$ 200,000	230,000	200,000	30,000
Assistance Income	4,808	2,796	45,000	(42,204)
Interest	1,984	1,297	2,000	(703)
Miscellaneous	3,972	12,711	10,000	2,711
	<u>210,764</u>	<u>246,804</u>	<u>257,000</u>	<u>(10,196)</u>
Total Cash Receipts				
Expenditures and Transfers:				
Salaries and Payroll Taxes	111,015	113,389	116,323	2,934
Contracted Services	26,903	16,454	35,000	18,546
Commodities	5,391	8,663	6,800	(1,863)
Capital Outlay		742	3,000	2,258
Home Construction/ Rehabilitation	45,616	33,337	76,000	42,663
Demolition		43,606	10,000	(33,606)
Transfer to Grant Fund	38,602	44,000	45,000	1,000
	<u>227,527</u>	<u>260,191</u>	<u>292,123</u>	<u>31,932</u>
Total Expenditures and Transfers				
Receipts Over (Under) Expenditures	(16,763)	(13,387)		
Unencumbered Cash, Beginning	<u>129,664</u>	<u>112,901</u>		
Unencumbered Cash, Ending	<u>112,901</u>	<u>99,514</u>		

See accompanying notes to financial statements

Coffey County Housing Authority  
Burlington, Kansas  
Statement of Cash Receipts and Expenditures - Actual  
For the Year Ended December 31, 2010

Statement 3  
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	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
<u>Grants Fund</u>		
Cash Receipts:		
Transfer from General Fund	\$ 38,602	44,000
Federal Grants	25,000	57,900
Other		
	<u>63,602</u>	<u>101,900</u>
Total Cash Receipts		
Expenditures and Transfers:		
Home Rehab	67,430	94,305
Other	<u>1,150</u>	<u>1,600</u>
	<u>68,580</u>	<u>95,905</u>
Total Expenditures and Transfers		
Receipts Over (Under) Expenditures	(4,978)	5,995
Unencumbered Cash, Beginning	<u>6,261</u>	<u>1,283</u>
Unencumbered Cash, Ending	<u><u>1,283</u></u>	<u><u>7,278</u></u>

See accompanying notes to financial statements



Coffey County Housing Authority  
Burlington, Kansas  
Statement of Cash Receipts and Expenditures - Actual  
For the Year Ended December 31, 2010

Statement 3  
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	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
<u>Building Fund</u>		
Cash Receipts:		
Transfer from General Fund	\$	
Home Sales	144,593	225,564
Interest and Other	<u>8,627</u>	<u>3,265</u>
Total Cash Receipts	<u>153,220</u>	<u>228,829</u>
Expenditures and Transfers:		
Home Construction	328,644	145,858
Gridley Community Association		
Other	<u>3,268</u>	<u>3,327</u>
Total Expenditures and Transfers	<u>331,912</u>	<u>149,185</u>
Receipts Over (Under) Expenditures	(178,692)	79,644
Unencumbered Cash, Beginning	<u>359,797</u>	<u>181,105</u>
Unencumbered Cash, Ending	<u><u>181,105</u></u>	<u><u>260,749</u></u>

See accompanying notes to financial statements

Coffey County Housing Authority  
Burlington, Kansas  
Notes to Financial Statements  
For the Fiscal Year Ended December 31, 2010

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

Coffey County Housing Authority is a municipal corporation governed by an elected five-member board. These financial statements present Coffey County Housing Authority as a primary government unit, with no component units.

B. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Housing Authority for the year ending December 31, 2010:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Housing Authority has adopted a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of accounting

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For the Fiscal Year Ended December 31, 2010

principles generally accepted in the United States of America and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. In addition, General Fixed Assets that account for the land, buildings and equipment owned by the Housing Authority are not recorded.

D. Budget and Tax Cycle:

The Housing Authority is not subject to the Kansas Budget Law, as they are not the primary taxing authority for the Housing Authority. The Coffey County Commissioners hold the taxing authority for the Housing Authority. The Housing Authority adopts an annual budget for the General Fund for managerial purposes. The budget comparison on Statement 2 and 3 reflects this internal managerial budget.

E. Assets, Liabilities, and Fund Equity

Cash

To facilitate better management of the Housing Authority's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the general fund as provided by Kansas Statutes.

F. Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Housing Authority. The statute requires banks eligible to hold the Housing Authority's funds have a main or branch bank in the county in which the Housing Authority is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage.

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K.S.A. 12-1675 allows the Housing Authority to invest idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool.

The Housing Authority held no investments at December 31, 2010 and held no investments throughout the year.

*Concentration of credit risk.* State statutes place no limit on the amount the Housing Authority may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it. State statutes require the Housing Authority's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Housing Authority has not designated any peak periods.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Housing Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At December 31, 2010, the carrying amount of the Housing Authority's deposits was \$414,266 and the bank balance was \$420,274. Of the bank balance, \$313,573 was secured by federal depository insurance and the remaining \$106,701 was collateralized by securities held by the pledging financial institution's agents in the Housing Authority's name.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by state statutes. No physical inventories were taken at year end and no accounting controls exist for control of materials inventory.

Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is

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reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Note 2      Stewardship, Compliance, and Accountability

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

Note 3      Detail Notes on All Funds and Account Groups

A.      Assets:

General Fixed Assets

The Housing Authority has not maintained a record of fixed assets used in performance of general governmental operations as required by generally accepted accounting principles.

The Housing Authority has waived the maintenance of these records through December 31, 2010, in accordance with K.S.A. 75-1120(a).

B.      Liabilities:

Defined Benefit Pension Plan

*Plan Description.* The Housing Authority participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 75-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar January 1, 2010

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through December 31, 2010 was 7.14%. The Housing Authority employer contributions for the years ending December 31, 2010, 2009, and 2008 were \$6,242, \$5,550, and \$4,857, respectively, equal to the statutory required contributions for each year.

Note 4      Economic Dependency

The Wolf Creek Nuclear Power Plant resides within the boundaries of Coffey County, which is the area served by the Housing Authority. This power plant is run by a joint venture of several utility companies. The valuation of the power plant accounts for approximately 83% of Coffey County's total assessed valuation. The tax appropriation which the Housing Authority receives from the County is levied on this assessed valuation.